



**DEFENSE LOGISTICS AGENCY**  
**THE DEFENSE CONTRACT MANAGEMENT COMMAND**  
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MAY 8 1997

IN REPLY  
REFER TO

**MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT  
DISTRICTS**

**SUBJECT: DCMC Memorandum No. 97-0006, Contractor Self-Oversight (CSO)**

This INFORMATION letter expires one year from issue date unless sooner superseded or rescinded.

I am writing to announce the conclusion of our Contractor Self-Oversight (CSO) experiments.

Our CSO experiments were initiated to test the feasibility of having contractor representatives perform surveillance tasks in lieu of direct DCMC surveillance. There were three such experiments covering the areas of quality assurance, production/delivery status reporting, and the administration of Government property. A fourth experiment explored the feasibility of using lab testing in lieu of government source inspection. Most experiments ran about one year, but all were conducted during the past two years. Our purpose in conducting these experiments was to test different approaches to minimize the costs and intrusions associated with direct Government oversight.

On May 2, 1997, we briefed Dr. Paul Kaminski, Under Secretary of Defense (Acquisition & Technology) on the results of the experiments, in terms of cost and performance. Overall, the results indicate the CSO approach can be a viable alternative to direct DCMC surveillance. Specifically, CSO for quality assurance, production/delivery status reporting, and administration of Government property proved successful. The lab testing experiment results indicate it is not a viable substitute for Government source inspection. Dr. Kaminski approved our recommendations to conclude the experiments, abandon the lab testing approach, and revise our policies to make CSO an optional alternative to direct DCMC surveillance in the areas of quality assurance, production/delivery status reporting, and the administration of Government property. As a result of the experiments, we now have a new tool that will, in some situations, permit us to reduce direct DCMC surveillance of contractor operations. It is essential to realize that the application of CSO will always require the agreement of customers, contractor, and DCMC. The necessary revisions to DCMC policies are now being developed to incorporate the CSO technique. In the interim, with the agreement of customers and the contractor, existing CSO arrangements may be continued pending publication of permanent policy.

We will continue exploring new approaches to contract management, but our ability to field-test new approaches is largely dependent upon the cooperation of our contractors. We need to

recognize and encourage contractor participation in such experiments. To that end, I am transmitting letters of appreciation to those contractors you have identified as successful participants. Furthermore, I ask that you have the CAO Commanders personally contact the CEOs at each of those companies, to express our appreciation.

I am especially grateful to the many DCMC employees who worked so hard to make these experiments happen. Please convey my sincere appreciation.

A handwritten signature in black ink, appearing to read "Robert W. Drewes". The signature is fluid and cursive, with a large initial "R" and "D".

ROBERT W. DREWES  
Major General, USAF  
Commander